

**Innovation, Business Models and Entrepreneurship**  
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**Lecture - 16**  
**What is a Business Model?**

Hello every one, going forward with the course of innovations. Today I would be focusing on business models. Business models with the perspective of changing scenario. Generically when we say something is a model then it must have attributes that can be followed or replicable; and business models are definitely on the same lines, but there are so, many factors which have to be considered when we talk of business models.

So, to start with I would suggest on the aspects of how to look at business models. What actually is a business model is. It simply how to do business for example, people have been following the revenue models of several organizations or several companies which exists for long, you produce something you sell something, you have a segment the target in your mind then you move from one segment to other and then you transact how do you take money, how much credit do you give there are so, many issues to that.

But the point is that, do we have to follow a perspective a method, a mode or business model is more than following a generic perspective or actually is it related to developing business, co creating business or creating domains actually.

So, to elaborate upon this aspect of you know what should we do, we must look at examples and simultaneously look at the environmental perspective as far as business model goes. I would be deliberating more on the environmental perspective and business scenarios and business environment in subsequent sessions, but in habitably it has to be brought and as far as the model and the situation goes.

So, the conventional aspect of looking at business model is that, I have a product and I charge for that product. For example, I sell tiers I sell software I charge for that. It can be per usage factor also it can have a rental value also, it can have other attributes also then they are exists so, many associated elements to that how would like how would customers like to receive their products their services and so on.

So, there is a frame, there is a methodology which conventionally is followed transaction is always involved, profit considerations are there and so many other elements to support that is there. But in convention in apart from conventional times in contemporary edge, where competition is becoming stiff, where so, many things are evolving in association to business and conventional business models. We realize that business models have now associated themselves or let us say organizations have associated their business models with co creation and developing business at large.

And there are there are several examples which can be seen at this movement for example, earlier bicycles were seen as a mode of transport, which was utilized by many people to go to their work still people use that bicycles in countries like India, China, Taiwan it is a high numbers and in Europe also people have now started resorting to bicycles for going to their work people have started going for no vehicle zones as well, those are environmental considerations again the that we will touch upon later.

But then you see it going from transition of bicycle being mode of transport only, we have moved towards bicycle being seen as mode of recreation also and mode of plusher also. So, but then how do we look at this product with an element of transaction?

When we look at that a product is changing its profile and organization is changing its segment or expanding its segment, then there are modular considerations which have to be brought in as far as the product or the organization goes. Earlier it was precise transaction of that if you have this much of money the price is this and you can buy the bicycle.

Today bicycles are being you know sold at installments also because the price is differentiated the price is high there is a lot of rental aspect associated to bicycle. There are so many avenues wherein you go around the world and you find bicycles at rental value, and then again for example, a person purchases so, many bicycles and he provides those bicycles on rent.

So, that again is differentiated or different business model, Microsoft has a particular kind of a business model Linux has a particular kind of a business model we have seen, these are common examples. And then there are you see for example, banking transactions loans are given on daily reducing balance also or let us say fixed interest basis also and so on.

So, these elements they define largely the differentiation of business models, it is a very broad kind of a perspective which I am presenting right now, but then let me go with different examples to elaborate on the element of co creation and business development and create and developing business at large.

For example now look at news and media. It has gone a way ahead as far as the presentation of news and collection of news and collection of information goes. Earlier it was the channels or the newspapers they had reporters and journalists they use to go to people, they use to keep on track of things and they collect the news and present the news altogether and the it was presented in the form of newspaper or let us say relied on channel through a presenter, and enter the presenter would read to you and the news was represented your batam.

Then scenario came and wherein media changed its profile apart from journalist, they started keeping associating stringers, stringers use to go to a wider area collect larger level of news and then that news was collated with several elements and then represented. In the mean while news agencies also evolved and so, many news agencies came into being and their job was just to collect the news, gather the news be their where the news is there or something is happening, keep track of things collide the news and provide to several channels and newspapers and other avenues other vehicles at a price.

And then came a scenario wherein news channels or newspapers they started taking role of opinion makers as well, wherein they put took higher responsibility and then they went for a shorter kind of a news daily happenings kind of and so, many news from all over the world elements of news have been they started covering several elements of news, several news at a time and they wanted to enlarge the content as well as the number of happenings to be presented to the people.

And channel present or this news presenters, they took the role of facilitators of organizing debates around issues presenting issues in typical different forms, and the spread became higher and higher wherein people from all the corners and even citizens they started participating a citizen journalist. And people from all the corners they started reporting news in different roles some were some are key journalists or main reporters some are stringers, some are citizen participants or some citizen journalists and some are

reporting on phone that this is happening at something is happening at this movement, at this particular part of a city and that can be covered.

So, that larger participation from all over took news and media towards wherein business model got associated with co-creation wherein participation, and real time participation from the viewers or readers came in as reporters or let us say indicators, who actually or projecting news or let us say presenting news or let us say informing about news.

And then now has come a time, where in and that that thing what associated with response from the sponsors as well. Earlier there were particular conditions of sponsoring that if this kind of readership would be there, then we would sponsor or we would advertise with a newspaper some costs were covered from the newspaper itself or channel itself, and some and majority of major of the cost was covered from the advertisements and so on.

So, business model was largely advertising related. It is still is, but again the profile has changed there are many sorts of sponsors or advertisers who have now who have now been associated with news business because the content the form, the story lines they have been evolving larger participation of citizens. Or let us say readers or viewers has increased, and so, has increased the interest of the advertisers with the perspective of the type of reporters or consumers, the readers which is now getting you know changed.

So, news and media has evolved from a pure news collection and news disbursement kind of a thing to now larger participatory kind of business wherein citizens and readers and viewers are directly participating in real time. And advertisers looking at that profile, they have started changing the form of their messages and the shape and shape or structure of their campaigns and the duration of their campaigns, and the length of the advertisements and the form of the messages and so on and the rates or the pricing has also be in changing accordingly.

So, business model has evolved from recently you would have watch that now news channels, they have gone for mobile journalism other than camera bases journalism, wherein journalist and stringers and citizen participants and readers and viewers they are carrying mobiles and they are reporting through their mobiles, wherever something happening and this is the short form is mojo wherein mobile journalisms journalism has cached up. And so, advertisers are looking at this thing differently and that is how

revenue models have been reshaped now pricing has been reshaped and revenue models have been reshaped.

I would not I would refrain from going into the details of pricing and those kind of things at this moment, just to give you an elaborative view of that how co-creation and development of business is changing its profile as far as this perspective course.

For example local transportation; past 5 years we all acknowledge specially in larger city is the profile of local transportation has changed so quickly thanks to Uber and OLA and other taxi service providers. Thanks to metro rail, which is coming fast cities like Delhi and other larger cities they have full pledged metro rails running, and then associated transportation modes and models, which wherein we use to stand in cues and we use to wait for long for local transport and then there where aspects of elements of pricing and then there where cost considerations and it was a time taking procedure basically.

Now, transportation has moved from that stage to pre book booking stage, and real time kind of you are standing somewhere and you require taxi and you search for where the taxi is nearby and you order for that and then there is a price consideration. Also you price is fluctuating and if at that particular moment that price is low you have an added advantage and you order the taxi and taxi comes to you, and the rates are very convenient and the pricing is according and then there is real time data who is going to pick you up what says telephone number and so on.

So, many things have changed; metro rail has changed the travel considerations of people, earlier local transport was such that you have to travel or you have to plan from one place to other. Beforehand today you come out of your house and you know that you would be reaching your destination it is a matter of your choice and convince which mode of transport you pick from where and how.

And this transportation models have change the profile of the business models as far as local transport goes. Earlier you had to own a taxi to run a taxi, today Uber does not own taxis at large and they get associated the they have associated drivers and vehicles and they channelize those vehicles and drivers and so on.

And several other elements have been added to such kind of businesses, even many bus or airport pickups or those kind of things are also changing profile in such a fashion

wherein, people are not owning the pro the vehicles they are now the facilitators of the vehicles and as such.

Retail business has come far from where it was, and I think it is one of the most important aspects to be visualize with the perspective of changes in the business model, today's news and yesterday's news says that Patanjali has got itself associated with almost 8 online platforms online modes of sales wherein Amazon is one of those and others are as there as well.

Earlier there was nowhere wherein customer could go somewhere and you know go on a website and find several product comparisons on the basis of several elements of comparison. Price brackets the choice of size the elements of delivery also the comparison between different products comparison between different features and so on.

So, today we have come of age as far as retail business course and it is almost like magic when you have to purchase a product and customer is always benefitted as far as this thing goes. If you want to purchase high price product or low price product, you can you can wait for the right time to be click there are several schemes which are going on there are several vendors which are being source by the platforms. And there are several companies which are feeding these platforms through their products and continuous supply through several retailers and several distributors and so on.

And on the one side it has main things easy on the other side price considerations have changed, on the other side apart from a basic fundamental price apart from that, the situation has come to stage wherein prices are continuously being dealt with as far as the margin portion goes and that makes things more easier actually. Wherein easy if you have a larger supply in your inventories getting built up, you can ease the price and customer gets benefitted also and if you do not have that kind of an inventory built up you can always raise a bit of margin if you find that demand is high.

So, that that gives advantage on both the sides, but looking at the conventional retail scenario and looking at today's scenario. One finds that on and mobile application you can order for almost everything recent advertisements of companies like Amazon, they suggest that during Diwali's you do not have to collect things or new years you do not have to collect things and go to several places to purchase and to do shopping. You can

do it on your mobile phones and you can purchase anything several forms or several designs or several colors, and those are returnable also.

So, these kind of platforms, these kind of companies they have not only source products from several vendors or several suppliers or several companies they have provided the pricing in different modes. They have provided the payment modes differently, they have a given and ease of installment also they have given, and advantage to the customer and several forms as far as the finance and the pricing element goes.

So, this model is entirely different from as far as the conventional retail model is where you had to go to a shop, you had a product in your mind or when you go to the shop, you are introduced to the product and the sales efforts of the shop keeper would you know instigate your thought process. Then you have an on spot comparison and you purchase the thing, and you have a backdrop reference of the pricing and the margins of the pricing you negotiate and then you buy.

And online platforms you are entirely on a different plane, wherein you keep track of how things are going on and they keep on prompting you with as far as your benefit goes, your liking goes they have algorithms, which suggest that this person who has accessed their website on a particular kind of a (Refer Time: 20:54) for particular kind of product choice; also likes these kind products or may like these kind of products and they keep on prompting you for different kinds of products which are there and then finally, you end up purchasing.

Yet to say that what kind of a demand differentiation is being created or you know how what kind of business enlargement has been done through this models, but definitely there is a huge change as far as the model situation goes.

Education the platform which we are using right now to deliver education to you is of age as far as the conventional platforms, where there today I am speaking on this camera wherein you know this thing would be recorded and delayed as per your choice. And then you can take up the exams and then you can through back your questions and we would be answering those questions and so on there are real time online platforms also wherein, you can directly attend the classes in the virtual mode and so on.

Then there is no requirement for you to go through several admission tests or several other formalities to show in a particular course if you like, and you do not need to go for entire degree program for attending a particular kind of a subject.

And millions of students have are getting associated with such kind of facilities, which are being generated. Now so, education has come of edge there was an advertisement recently by a company of mobile phones, wherein they suggested that mob education can be delivered through mobile phones as well; if music can be delivered through mobile phones, why not education can be delivered through mobile phones.

And similarly the pricing is there, it is a huge cost advantage of as far as online education system goes and you would do not have to change places you do not have to come. Any person from any part of this world can attend this course if you want.

So, education has come and then there is there is larger content which is being generated and there is the redundancy of the content has been reduced because now it is online. So, people do monitor that what kind of content can be added to the existing content rather than replicating the content itself. So, I am not sure that if textbooks or the usage of textbooks would be reduced, because there is textbooks they always have played fundamental role and complimentary role as well.

And I always give credit to the role of textbooks because you have a collated collected systematic text in the textbook. So, I do not think that online content ; however, systematic, it is would be able to replace the textbook structure; but definitely today you do not need to go for as far as page by page reading goes and so on. And platforms like kindle or facilitation like kindle has again supported this kind of thing that you can read several book simultaneously or let us say one by one and similar kind text simultaneously, you can pick similar kind of text from several books simultaneously, and then separate that text and work upon that as well so.

Now, and they have a different kind of a pricing model kindle gives you excess to kindle additions and free books as well, and they charge on the basis of you know different pricing criteria. So, you have to pay for the device and many a times you read free books. So, that is a different kind of a business model which goes as far as this education perspective also goes.



Now, comes health basically. Online platforms and tele health has come of age, wherein you do not need to be there always in front of the doctor you can go for your regular treatment online and you can pay for as far as the lesser time, which you consume of the hospitals and the clinics, and the general medicine or OPD is dealt with differently many hospitals as we know that. For example, Narayan Hrudayalaya they have set ups all over the country wherein patient goes to the that set up and a doctor or medico assists, this person to tell about their ailment to the doctor setting, somewhere else and they talk to each other and then the doctor on the other side judges, that what kind of treatment has to be initiated.

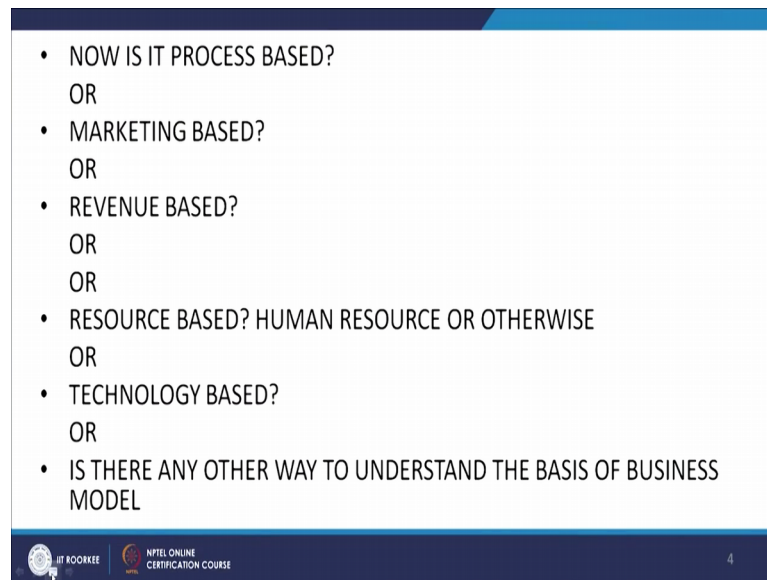
And that that is a very low cost kind of a thing which is associated by insurance and insurance facilitation and everyone is a winner. So, and that that is again a different model which was try it for the first time practically if I am not wrong, Narayan Hrudayalayan associated in insurance component and then tele medicine and those kind of things to go for costly surgeries as well.

So, premium was too low and that low premium facilitated poor people to be treated on the other side Narayan Hrudayalayan is not loosing on as far as anything goes they earning good profits and insurance companies also earning good profits. And the technology providers are also earning good profits at a very you know optimal cost, and patient most of the time is the winner basically because he is being treated at a very low cost.

So, that that is a entirely at different kind of a business model, which we have conventionally seen and we realize that the best of the health facilitation can be done at a very low price as well and that can be done by private health service providers rather than government ruining at a cost subsidy. And those kind of things and that has come of age, and that has given an impetus to several other intermediary business models as far as health situation goes, till we are not up to the mark to cater to that kind of a situation.

So, that is lot can be elaborated as far as business models in different domains co and then, there are several examples which I would be elaborating upon as far as the business scenario goes.

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- NOW IS IT PROCESS BASED?  
OR
- MARKETING BASED?  
OR
- REVENUE BASED?  
OR  
OR
- RESOURCE BASED? HUMAN RESOURCE OR OTHERWISE  
OR
- TECHNOLOGY BASED?  
OR
- IS THERE ANY OTHER WAY TO UNDERSTAND THE BASIS OF BUSINESS MODEL

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Now, let us see that if business models are process based or can we look at business models with the perspective of process should be look at business models with the perspective of marketing, should we look at the business models with the perspective of revenue only, that what kind of a revenue transaction is going on it is installment base it is you know straight transaction or what. So, what kind of a revenue is being generated it is generated on the product basis or let us say per usage basis and so on

So, is it resource based that I have excess to so many resource I collate those resources, and then I provide those to and individual. So, that that resource based kind of a business model is it human resource based; I have excess to particular kind of a human resource, who can be utilized for a particular kind of development of product and service. And then I can provide that two and that focus takes it towards human resource based business model basically; or is it technology based. Then I have a particular kind of a technology you can be utilized for provision or let us say service provision or product provision to the customer.

So, or is there any other way to understand the basis of business models. So, the these questions are relevant when we look at the centrality of such kind of aspects for example, process. Now, if process is at the center of a business model then definitely, we have to acknowledge that it is a process based business model. Wherein process has the larger value, I own the process and then that process deals with as far as the rest of the business

and part goes and if other people have to get associated with that process then also that that centrality exists.

If I am marketing based kind of an organization, wherein I show several products and brand them and people buy it from me whether it is a recognized brand or not and so on. So, we have to acknowledge that it is a marketing based kind of a business model, wherein other things get subsided in terms of as far as the marketing goes.

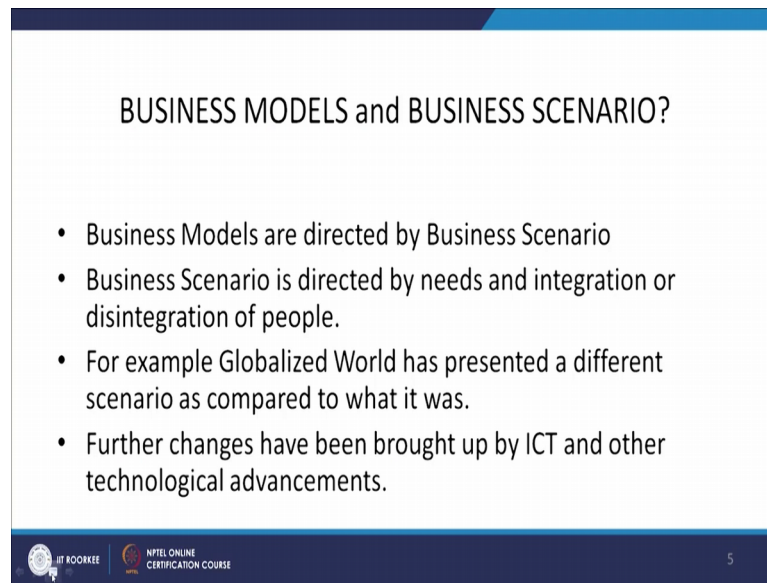
For example Walmart definitely is a logistics base as well as marketing based, but business, but their marketing is more dominant as compare to as far as their logistics course and that is why Walmart can be seen with perspective of marketing and sales, rather than only logistics and. So, the sequence goes marketing sales or sales marketing and logistics and several other organizations are wherein there their process is of larger value and they know how to the best produced that kind of a product and rest of the things come after that.

Some organizations they have key human resource or key people in that particular domain associated with them, and that things deal with the rest of the businesses kind of and then as I said technology as well.

So, the answer is that, no business model can be seen with the singular kind of a perspective it has to be seen with the centrality of that of a particular kind of a perspective. So, if process is dominant process has to come first and then rest of the elements have to be complimentary as far as that particular business course.

So, now a brief element of business models and business scenario, because as I said that business models cannot be separately seen as far as the scenario goes and I will be deliberating upon a business scenario more as far in subsequent session goes. So, the message here is that business models are directed by a business scenario, business scenario is directed by needs and integration or disintegration people how people are integrated or disintegrated with each other.

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The slide features a white background with a dark blue header and footer. The title 'BUSINESS MODELS and BUSINESS SCENARIO?' is centered in a bold, black font. Below the title is a bulleted list of four points. The footer contains logos for 'IIT ROORKEE' and 'NPTEL ONLINE CERTIFICATION COURSE' on the left, and the number '5' on the right.

**BUSINESS MODELS and BUSINESS SCENARIO?**

- Business Models are directed by Business Scenario
- Business Scenario is directed by needs and integration or disintegration of people.
- For example Globalized World has presented a different scenario as compared to what it was.
- Further changes have been brought up by ICT and other technological advancements.

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For example globalized world has presented a different kind of a scenario as compared to what it was. Today you produce something and it is a common example you produce something in China and you select somewhere else. So, we produces or integrated with sellers through different modes of logistics and transportation and technology and other platforms and so on and trade facilitation is also there and so on.

So, today nations or people at large have integrated and different kind of fashion earlier. For example, up till early 90's India was a closed economy and our trade was not so, integrated with global trade and our people and our customers what not so, integrated with other parts of the world, people of the other parts of the world.

So, further changes have been brought up by ICT's as we have seen information and communication technology, wherein several elements have facilitated the integration of people in several modes. For example, I am grating integrated with you wherever you are through this mode of you know recording or let us say relay through information and communication technology.

So, the conclusion here is that business models are related to the integration and disintegration of people and as well as evolving needs or let us say you know differentiation of needs into different kinds of wants if we may say so.

Now, let us take examples and you know as I have suggested also. When we say that business models are associated with different kinds of business scenario and one of the scenario is associated with integration and disintegration of people, we have examples like you know manufacturing done by one and market it marketed by many to several parts of the world.

For example, if I have a huge scaled up manufacturing facility with me, I focus only on manufacturing and there are several marketers who market who market the products all over the world. Sourcing is done by one and supported by many I get the material from all over the world and then I provide to the manufactures, and they take that material or that product to subsequently make the finally, products and so on.

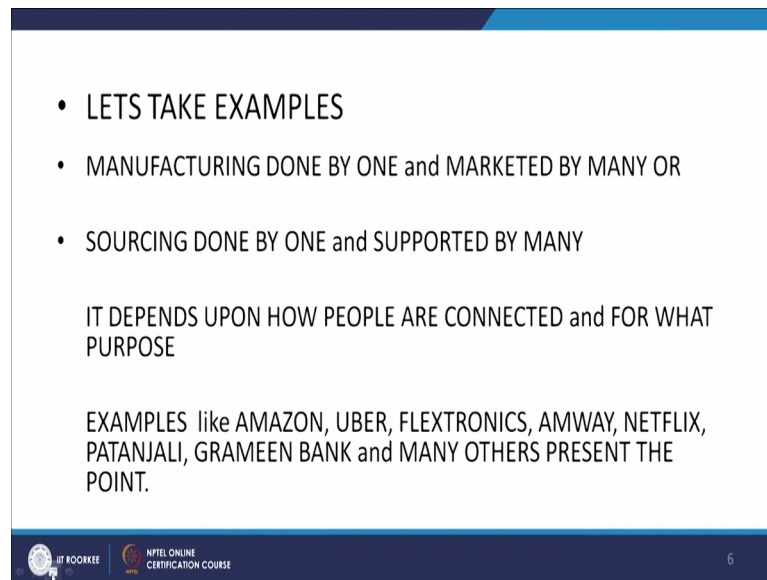
For example I source rubber and I give it to tier manufacturers and several clients and who manufacture tiers, with different brand names with different utility or for different vehicle manufacturers and those people they sell those things further to the customers and so on. It depends upon how people are connected and for what purpose basically, and what element of sourcing is being focused upon what element of manufacturing is being focused upon and what element of marketing is being focused upon, but who is doing what actually.

So, we may say that sometimes it is it can also be seen with the perspective of consolidation and deconsolidation wherein, larger number of manufacturers they get consolidated in terms of being one and that one supports the subsequent manufacturing or distribution whatever is there.

So, but this form of changing integration and disintegration connectivity of people in different formats; effects the business model little large. I will be elaborating this kind of things in then when we talk of innovation after or this session or let us say in subsequent sessions, and elaborating more on business scenario.

Then as I said whatever I have try to suggest up till now is said by examples like or supported by examples like Amazon, Uber.

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• LETS TAKE EXAMPLES

- MANUFACTURING DONE BY ONE and MARKETED BY MANY OR
- SOURCING DONE BY ONE and SUPPORTED BY MANY

IT DEPENDS UPON HOW PEOPLE ARE CONNECTED and FOR WHAT PURPOSE

EXAMPLES like AMAZON, UBER, FLEXTRONICS, AMWAY, NETFLIX, PATANJALI, GRAMEEN BANK and MANY OTHERS PRESENT THE POINT.

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Flextronics for example, they manufacture large number of electronic equipment and they provide those equipment to that equipment to several electronic manufacturers or marketers who brand those, that equipment in their own name and then finish it or let us say sell it that way only.

Amway has a particular kind of a different business model wherein they make their customers as a distributors and those distributors they further create customers and those customers, they become the distributors in so on. And they have become so large, if we look at their business profile, Netflix has a different kind of movie rental system and online movie platform wherein the send the movie to even your mobile phones. And Patanjali has a particular kind of a business model up till now they have been focusing on swadeshi wherein they say that they have they would be generating every through everything through the national resources and selling to the nation itself.

Now, they are slightly moving towards a different element of as far as or a let us say they are expanding their business model and they have announce that one of the units which they are generating or developing now probably in Madhya Pradesh they would be utilizing the producer that you of that particular unit to sell their products, abroad as well.

Grameen bank, Bangladesh has given different business model to this world and Muhammad Yunus won Nobel prize for his pivotal work and concerned which he could

project in terms of benefit to several people who could be associated with that business model.

Micro finance exists for has been therefore, a long time, but he presented micro finance with the different kind of a perspective, wherein not only he provided finance to the groups who could be mutually responsible for each other. But they guided those groups for developing their businesses and to repay the loans and to propel the business further. A different kind of similar kind of thing was experimented by Kundali Frances, he also won Ramon Magsaysay award, wherein he projected micro finance with the different kind of a perspective slightly differentiated business model, but one the similar lines and so on.

And many other such examples have presented the point which we has been discussed up till now. So, I think that is where I should be ending as far as giving a broad profile of a business models to you, that how should business models be looked upon and how should business models be looked upon with reference to the business scenario.

Thank you.